

STATE OF INDIANA)
) SS:
COUNTY OF HOWARD)

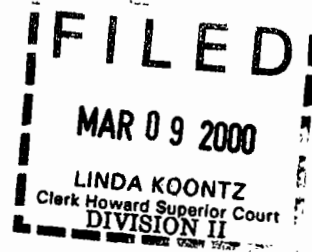
^{SUPERIOR}
IN THE HOWARD CIRCUIT COURT ^{II}
34D02-0003-CP-00169
CAUSE NO. _____

STATE OF INDIANA,

Plaintiff,

v.

FRANKLIN COVEY CO.
d/b/a CARLETON SHEETS.
Defendant.



COMPLAINT FOR INJUNCTION, RESTITUTION AND CIVIL PENALTIES

The State of Indiana, by Attorney General Karen M. Freeman-Wilson and Deputy Attorney General Eric Jackson, petitions the Court pursuant to the Indiana Business Opportunity Transactions Act, Ind. Code § 24-5-8-1 et seq., and the Indiana Deceptive Consumer Sales Act, Ind. Code § 24-5-0.5-1 et seq., for injunctive relief, restitution, civil penalties, investigative costs, and other relief.

FACTS

1. The Defendant, Franklin Covey Co. d/b/a Carleton Sheets, is a foreign corporation with its principal place of business located at 2200 West Parkway Blvd., Salt Lake City, Utah 84119.

2. Since at least March, 1998, the Defendant has engaged in the business of selling real estate purchasing program business opportunities to the general public and has engaged in the solicitation of said business opportunity within the State of Indiana.

3. The Defendant solicited and entered into contracts for the sale of said business opportunity with Indiana investors, including, but not limited to David Daughtry of Kokomo, Indiana, who paid \$1995.00 to the Defendant on or about March 10, 1998.

4. In return for the money Mr. Daughtry paid to the Defendant, Mr. Daughtry was to receive a "Participant Guidebook" and a "Success Kit". In addition, agents of the Defendant

were to meet with Mr. Daughtry via a phone conference for six sessions, during which they were to "coach" Mr. Daughtry on the strategies in the Carleton Sheets' No Down Payment Home Study Course. See materials attached as Exhibits "A" "B" "C" "D" & "E".

5. The Defendant's offer of selling a personal coaching system to Indiana investors, which explains and assists investors in purchasing real estate with no money down, is a "business opportunity" as defined by Ind. Code 24-5-8-1.

COUNT I - VIOLATIONS OF THE BUSINESS OPPORTUNITY TRANSACTIONS ACT

6. The Defendant failed to provide Indiana investors, including but not limited to Mr. Daughtry, with the disclosures required by Indiana law at least seventy-two (72) hours before the earlier of the investors' execution of a business opportunity contract with the Defendant or receipt of any consideration by the Defendant, in violation of Ind. Code § 24-5-8-2.

7. The Defendant failed to obtain a surety bond in favor of the State of Indiana prior to offering to sell its business opportunity to Indiana investors, in violation of Ind. Code § 24-5-8-3.

8. The Defendant failed to file a copy of the disclosure statement and surety bond and pay the filing fee required by Indiana law with the Consumer Protection Division of the Office of the Attorney General prior to placing any advertisement or making any representation to any Indiana investor about said business opportunity, in violation of Ind. Code § 24-5-8-4.

9. The Defendant failed to include a thirty (30) day cancellation provision in its business opportunity contracts with Indiana investors, including but not limited to Mr. Daughtry's contract, in violation of Ind. Code § 24-5-8-6.

10. Due to the foregoing violations of Ind. Code 24-5-8-2, Indiana investors, including Mr. Daughtry, have a statutory right to cancel their business opportunity contracts with the Defendant in accordance with Ind. Code § 24-5-8-15.

11. Mr. Daughtry notified the Defendant in writing of his intent to cancel his business opportunity contract in a timely manner, but the Defendant has failed to return the consideration paid for said contract to the investor.

12. In accordance with Ind. Code § 24-5-8-20 the Defendant's violations of Indiana's Business Opportunity Transactions Act, Ind. Code 24-5-8-1 et seq. are violations of Indiana's Deceptive Consumer Sales Act, Ind. Code § 24-5-0.5-1 et seq.

COUNT II – KNOWING VIOLATIONS OF THE BUSINESS
OPPORTUNITIES TRANSACTIONS ACT

13. The Defendant's violations of Indiana's Business Opportunity Transactions Act, Ind. Code § 24-5-8-1 et seq. were knowing violations.

IRREPARABLE HARM

14. The deceptive acts set forth above will continue and will cause irreparable injury unless the Defendant is enjoined from engaging in further conduct which violates Ind. Code § 24-5-8-1 et seq., and § 24-5-0.5-1 et seq.

RELIEF

WHEREFORE, the Plaintiff, State of Indiana, requests the Court to enter a judgment against the Defendant, Franklin Covey Co d/b/a Carleton Sheets, and order the following relief:

- a. A permanent injunction pursuant to Ind. Code § 24-5-8-18 and Ind. Code § 24-5-0.5-4(c)(1), enjoining the Defendant, its agents, representatives, employees, successors, and assigns from engaging in conduct in violation of Ind. Code § 24-5-8-1 et seq., or Ind. Code § 24-5-0.5-1 et seq.;
- b. Cancellation of the Defendant's business opportunity contracts with Indiana investors, including but not limited to David Daughtry, pursuant to Ind. Code § 24-5-8-15, and pursuant to Ind. Code § 24-5-0.5-4(d);
- c. Restitution pursuant to Ind. Code § 24-5-0.5-4(c)(2) and (d), in the amount of all consideration paid to the Defendant by Indiana investors, including but not

limit to \$1995.00 paid by David Daughtry, for their purchase of the Carelton Sheets No Down Payment Personal Coaching System.

d. Costs pursuant to Ind. Code § 24-5-0.5-4(c)(3), awarding the Office of the Attorney General its reasonable expenses incurred in the investigation and prosecution of this action;

e. Civil penalties pursuant to Ind. Code § 24-5-0.5-4(g), for the Defendant's knowing violations of the Deceptive Consumer Sales Act, in the amount of five hundred dollars (\$500.00) per violation, payable to the State of Indiana; and

f. All other proper relief.

Respectfully submitted,
Karen M. Freeman-Wilson
Attorney General of Indiana
Atty. No. 8603-45-A

By: Eric Jackson
Eric Jackson
Deputy Attorney General
Atty. No. 19415-49

Office of the Attorney General
Indiana Government Center South, 5th floor
402 W. Washington Street
Indianapolis, IN 46204
(317) 232-3442

ELJ/1585

WARRANTY OF SERVICE

Please carefully read the following Service Warranty, as it outlines your responsibilities as a coaching program participant and defines the obligation of the coaching service. It is important to note that because of the unique, one-on-one service provided, this program does not carry a money-back guarantee.

The *No Down Payment Personal Coaching System* is a six month education and training program designed to assist you in applying the strategies taught in the Carleton Sheets' *No Down Payment Home Study Course*. The effectiveness of the coaching program is dependent upon your commitment to follow the program and apply proven techniques with the help of a coach. Because this is an education and training program designed to help you gain personal experience with the *No Down Payment* principles, we provide the following Service Warranty:

If you complete the student requirements as outlined below within seven months of your enrollment date, and have not completed at least one real estate transaction, then, upon your request, we will extend the time on your program and continue to work with you at no additional charge until you complete one real estate transaction. Because of this unique promise, there is no money-back guarantee.

Student Requirements

In order to qualify for a no-charge program extension, you must complete the following activities within seven months of program enrollment:

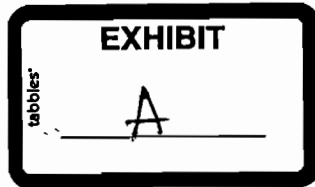
During Phase One of your program you must:

- Meet with your coach via phone conference at your scheduled meeting times, every other week for six sessions.
- Complete and submit to our staff all assignments and activities given by your coach for each session.

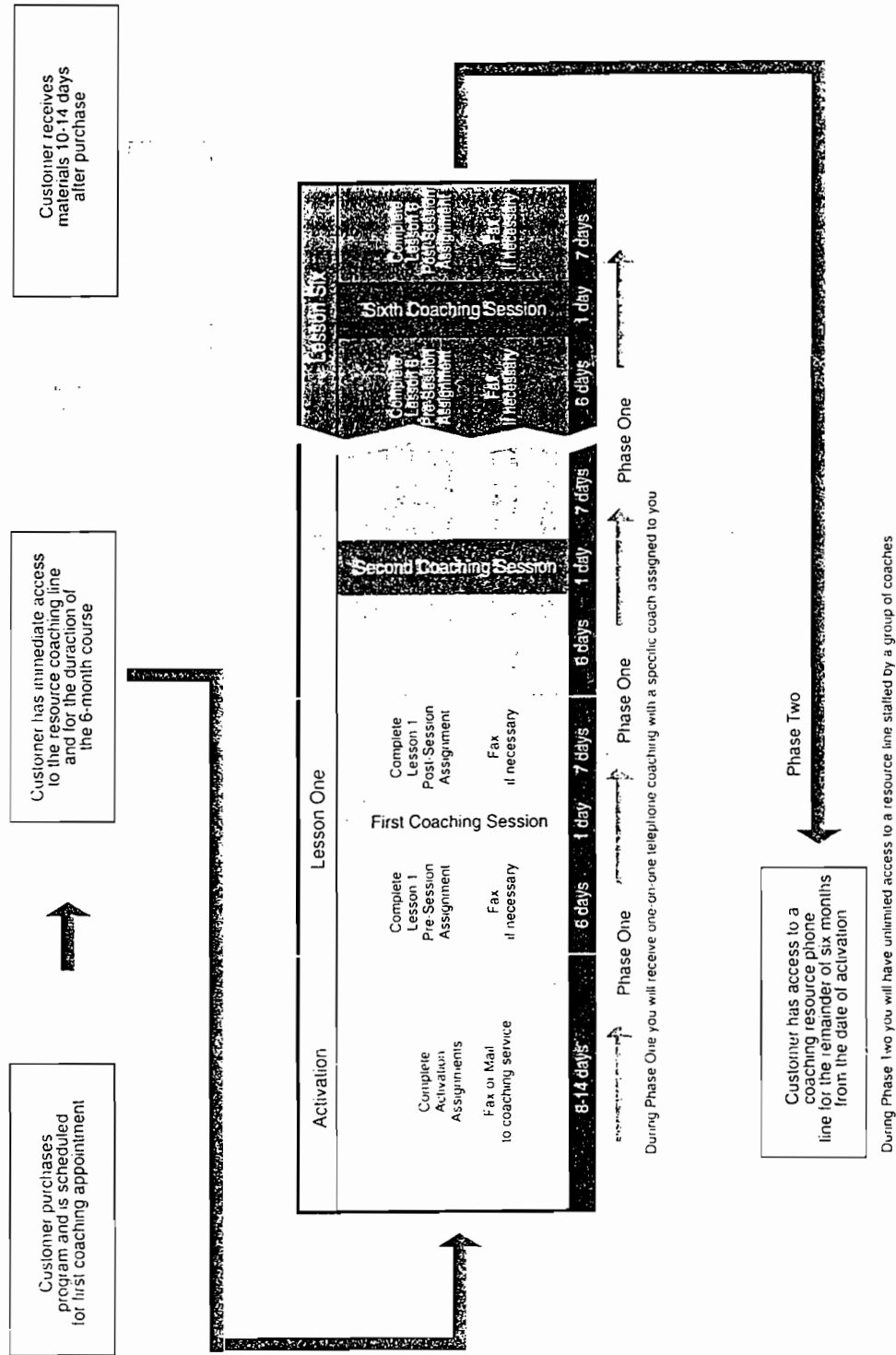
During Phase Two of your program you must:

- Submit a minimum of two bona fide real estate offers to the coaching staff each month remaining in your program.

We look forward to working with you as you learn to apply the *No Down Payment* strategies. Your satisfaction is our goal. We are committed to providing the best service possible. If for any reason you experience any challenges with our service, please call Customer Service at 1-800-417-5037, Monday through Friday, between 8 am and 8 pm mountain time and allow us to address your concerns immediately. We are committed to your long term success and look forward to serving you as we experience the personal coaching process together.



No Down Payment Personal Coaching System



ACTIVATION

COACH / CLIENT AGREEMENT (page 2 of 2)

ACTIVATION KIT

During the program your coach will help you set realistic goals, make commitments and complete assignments. In order for you to reach the course objectives and goals you must commit yourself to the following:

1. Complete Phase One by meeting with your coach every other week for six coaching sessions and complete and submit to our staff all assignments and commitments made with your coach.
2. Complete Phase Two by submitting to our coaching staff at least two legitimate real estate offers a month for the remainder of your six-month program.

Because this is an education and training program designed to help you gain personal experience with the *No Down Payment* principles, we provide the following Service Warranty:

If you complete the Phase One & Two requirements outlined above within seven months of your enrollment date, and have not completed at least one real estate transaction, then upon your request, we will extend the time on your program and continue to work with you at no additional charge until you complete one real estate transaction. Because of this unique promise, there is no money-back guarantee.

Our focus is to help you, through education and training, understand and apply correct principles in your life. We will do everything in our power to help you reach your goals. However, we cannot make your commitments and decisions for you. You must assume the responsibility for your own success with the principles we will help you learn. Your signature below indicates your acceptance of the responsibilities outlined above and your release of all individuals and companies related to this program from any legal responsibility for your financial decisions in the program.

We look forward to working with you as you learn to apply the *No Down Payment* strategies. Your satisfaction is our goal. We are committed to providing the best service possible. If you experience any challenges with our service, please call Customer Service at 1-800-417-5037, Monday through Friday, between 8 am and 8 pm Mountain Time and allow us to address your concerns immediately. We are committed to your long-term success and look forward to serving you as we experience the personal coaching process together. If these terms are in harmony with your expectations regarding Carleton Sheets' *No Down Payment Personal Coaching System*, please sign, date, and return a copy of this document to your coach.

Note: This page is to be mailed or faxed to your coach prior to your first coaching session.

Signature

Date

COACH / CLIENT AGREEMENT

(page 1 of 2)

ACTIVATION KIT

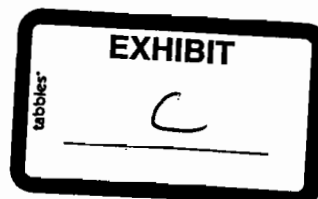
Welcome to the Carleton Sheets' *No Down Payment Personal Coaching System*. The strategies we will address over the next six months are time-tested and true. Many people have made tremendous improvements in their financial and personal lives through proper implementation of real estate investing principles. Your commitment to this program will bring positive change in your life as well. We want you to know that your coach is committed to your success. To help ensure that success, there are several key principles you will need to follow.

Your coach can best serve your needs when you communicate openly and freely. Our coaches promise you total confidentiality, so please be sure to communicate honestly about your progress in this program. The program focuses on Carleton Sheets' *No Down Payment Home Study Course* and the implementation of strategies and action plans contained therein. However, it will be your responsibility to ensure that you and your coach are addressing your needs and moving in the right direction. There may be weeks when the program Guidebook is not addressed specifically since you may have other issues which need to be reviewed. Your coach will attempt to address specific strategies based upon your personal needs and activities, then help you work toward proper implementation.

Your time with your coach is limited during Phase One of the program. You should meet with your coach by phone on a consistent basis (every other week) for thirty minutes per visit. Therefore, both you and your coach need to be committed to using your time wisely. If you need to reschedule, please call your coach at least 24 hours in advance at 1-800-417-5037. Otherwise you will forfeit the session and lose valuable momentum. Between your scheduled sessions you will have access to our Phase One Coaching Resource Line to assist you with questions, challenges, or offers on real estate.

Due to the number of participants in our program, you must complete your six-month program within seven months of your enrollment date. Your coach can help you make any necessary adjustments in the program during this period.

Note: This page is to be mailed or faxed to your coach prior to your first coaching session.

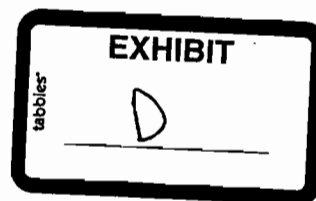


ACTIVATION CHECKLIST

ACTIVATION K

The future is decided by the actions of today. One of the most powerful lessons you will learn in Carleton Sheets' *No Down Payment Personal Coaching System* is the importance of taking action today to achieve your goals. The following checklist will provide you with a record of each assignment you should complete prior to your first session with your coach, so you can be prepared.

- ☐ **Using the Materials Description and Checklist on page 3, verify that you have received all Program Materials.**
- ☐ **Read the Welcome Letters, Preface and Warranty of Service included in this Activation Kit (pages 4 -12).**
- ☐ **Complete the following:**
 - ☐ Coach/Client Agreement (pages 13-14)
 - ☐ Personal and Financial Profile (pages 15-21)
 - ☐ Course Pre-Assessment (pages 22-33)
- ☐ **Send or fax the following to Personal Coaching:**
 - ☐ Your Completed Coach/Client Agreement (pages 13-14)
 - ☐ Your Completed Personal and Financial Profile (pages 15-21)
 - ☐ Your Completed Course Pre-Assessment (pages 22-33)
- ☐ **Complete the Activation Assignments prior to the first meeting with your coach (pages 34-44).**



MATERIALS DESCRIPTION AND CHECKLIST

ACTIVATION KIT

Please help us serve you by verifying that you have received all the Program Materials for Carleton Sheets' *No Down Payment Personal Coaching System*. You will be instructed in a later exercise how to organize and use each of the materials listed below. If you find any of the components missing, please call Customer Service at 1-800-417-5037.

Participant Guidebook

The Participant Guidebook includes the study and activity materials that will prepare you for and lead you through each coaching session.

- ☐ Guidebook Binder
- ☐ Section Tabs (inserted in binder)
- ☐ Guidebook Pages (shrink-wrapped and placed inside binder)
- ☐ Phase One/Phase Two 11"x17" Laminated Chart

Success Kit

The Success Kit includes materials to help you organize your efforts to establish yourself as an active real estate investor.

- ☐ No Down Payment Folio with Pen
- ☐ Dry Erase Marker
- ☐ *Realty Bluebook and Financial Tables*



CIRCUIT COURT FOR THE COUNTY OF HOWARD
STATE OF INDIANA

STATE OF INDIANA

Plaintiff

vs.

No. _____

FRANKLIN COVEY CO.

d/b/a CARLETON SHEETS

Defendant

SUMMONS

The State of Indiana to Defendant Highest Executive Officer at Franklin Covey Co.
d/b/a Carleton Sheets, 2200 W. Parkway Blvd Salt Lake
Utah, 84119

You have been sued by the person(s) named "plaintiff," in the court stated above.

The nature of the suit against you is stated in the complaint which is attached to this document. It also states the demand which the plaintiff has made and wants from you.

You must answer the complaint in writing, by you or your attorney, within (20) (23) days, commencing the day after you receive this summons, or judgment will be entered against you for what the plaintiff has demanded.

If you have a claim for relief against the plaintiff arising from the same transaction or occurrence you must assert it in your written answer.

Date _____

Clerk, Howard Circuit Court (Seal)

Eric Jackson

Attorney for Plaintiff

Indiana Office of Attorney General

402 West Washington Street, IGCS 5th Floor, Indpls., IN 46204

Telephone (317) 233-3987

DESIGNATION OF SERVICE

Plaintiff hereby designates the following manner of service Certified Mail

CERTIFICATE OF MAILING

I hereby certify that on the _____ day of _____, 19 _____, I mailed a copy of this summons and a copy of the complaint to each of the defendant(s) _____

by (registered or certified) mail requesting a return receipt signed by the addressee only addressed to each of said defendant(s) _____

at the address(es) furnished by the plaintiff.

Date _____

Clerk, Howard Circuit Court (Seal)